

Review and Analysis

During the review and analysis phase of an examination, an examiner thoroughly evaluates an institution's compliance management system to assess its quality and effectiveness, and documents system weaknesses and violations of federal consumer protection laws and regulations, if any. The Examiner-in-Charge starts by analyzing information about the type, level and complexity of the institution's operations, and begins to develop the scope of the examination and plan for resource deployment to areas of highest risk.

The scope of an examination will be preliminarily established prior to entering the financial institution, and should be refined through the results of examiner discussions with senior management, the compliance officer (or staff assigned), and the internal auditor. While on-site at an institution, an examiner may limit the scope of the compliance review based on reliable procedures and controls in place. Similarly, the examiner may expand the review based on, for example, management's view about compliance, a lack of necessary procedures or controls, the presence of violations, or the presence of new or significantly amended regulations. The compliance review continues with an evaluation of the:

- commitment of the Board of Directors, management, and staff to compliance;
- qualifications of the compliance officer or designated staff;
- scope and effectiveness of compliance policies and procedures;
- effectiveness of training;
- thoroughness of monitoring and any internal/external reviews or audits; and
- responsiveness of the Board and management to the findings of internal/external reviews and to the findings of the previous examination.

An examiner must consider the size, level, and complexity of an institution's operations when evaluating the adequacy of an institution's compliance management system.

The examination procedures outlined in this Handbook are designed to enable an examiner to identify and measure compliance risk; make an assessment of an institution's compliance infrastructure and methods for identifying,

monitoring, and controlling compliance risk; and determine the transaction testing needed to assess the integrity of the compliance management system. The number of transactions selected and the type of sampling used should be relative to the perceived risk and the need to assess the level of compliance in an activity or function.

At the conclusion of the review and analysis phase, an examiner:

- summarizes all findings regarding the strengths and weaknesses of an institution's compliance management system;
- determines the cause(s) of programmatic deficiencies or violations and relates them to the specific weakness(es) in the institution's compliance management system; and
- identifies actions necessary to address deficiencies or violations.

Determining the cause(s) of a program deficiency or violation is critical to recommending solutions that will successfully address problem areas and strengthen an institution's compliance posture for the future.

Communicating Findings

Examiners must discuss findings and recommendations with management and obtain a commitment for corrective action. These discussions will be held during the course of the examination and at an exit meeting with senior management and/or the Board of Directors.

The results of the examination will also be communicated to the Board of Directors and management of the institution in a Report of Examination. The Report of Examination provides an account of the strengths and weaknesses of a compliance management system. It is more than an exception-based document and should add value to the institution's compliance efforts.

References

DSC RD Memo 04-031; Compliance Examination Procedures in Multi-Bank Holding Company Environments
<http://fdic01/division/dsc/memos/memos/6000/04-031.pdf>